

Message Text

SECRET

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02 NSC-07

SS-20 STR-08 CEA-02 DRC-01 EA-11 /169 W

----- 090260

R 091135Z MAY 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1553

INFO AMEMBASSY BEIRUT

ZEN AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT 1781

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY TEHRAN

S E C R E T ABU DHABI 0562

PARIS FOR OECD

DEPT. PASS TREASURY AND FEDERAL RESERVE

KUWAIT PASS DOHA AND MUSCAT

E.O. 11652:DS

TAGS: EFIN, TC

SUBJECT: WORLD BANK TO FLOAT UAE LOAN

1. UAE MINSTATE FOR FINANCE HABBROUSH AND WORLD BANK
OFFICIAL OMAR DAJANI INFORMED CHARGE MAY 6 THAT NEGOTIA-
TIONS VIRTUALLY COMPLETED FOR 300 MILL UAE DIRHAM RPT.
DIRHAM (APPROX \$75,375,000.) BOND ISSUE TO BE FLOATED
BY BANK WITH UAEG. DAJANI SAID THAT FINAL DETAILS OF
LOCAL CURRENCY LOAN WILL BE WORKED OUT BY BANK TEAM DUE
ARRIVE ABU DHABI IN COMING FEW DAYS.

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2. DAJANI, WHO NATURALIZED UAE CITIZEN AND ASSISTANT TO MCNAMARA SPECIALIZING IN ARAB AFFAIRS, EXUBERANT OVER DECISION OF BANK TO BORROW IN ARAB GULF CURRENCY, A POLICY WHICH APPARENTLY HAS MET MUCH OPPOSITION AMONG TRADITIONALISTS OF BANK STAFF CRITICAL OF SIMILAR DEALS WITH KUWAITIS AND SAUDIS. ONE OF MAIN CRITICISMS, ACCORDING DAJANI, IS POTENTIAL LOSSES OF GULF CURRENCY BOND ISSUES IF THESE CURRENCYERS SHOULD BE REVALUED IN NEAR FUTURE AS IS RUMORED. IN ANY CASE, WITH DISPLAY HIS USUAL BRAVADO AND EGOTISM, DAJANI WAS TAKING MUCH PERSONAL CREDIT FOR CONSUMMATION 300 MILL DIRHAM BOND ISSUE; BONDS, HE SAID, FOR FIRST TIME WILL BE WRITTEN ONLY IN ARABIC (SIC) AND, IN HIS OPINION, WILL HAVE DESIRABLE EFFECT FOR UAE OF INTRODUCING VIRTUALLY UNKNOWN BUT HARD CURRENCY DIRHAM ONTO THE WORLD MONEY MARKETS FOR THE FIRST TIME.

3. DAJANI AND HABBROUSH INDICATED THAT IF ALL GOES WILL, SIGNING OF AGREEMENT EXPECTED TAKE PLACE IN ABU DHABI MAY 15. ONE OF POINTS STILL AT ISSUE APPARENTLY IS RATE OF INTEREST TO BE PAID BY BANK ON BONDS, BUT TWO SIDES ARE CLOSE TO AGREEMENT.

4. DAJANI VERY CRITICAL OF TRADITIONALISTS (EUROPEANS, AMERICANS AND SOME ASIANS) IN WORLD BANK, WHO ARE NOT PREPARED MOVE FAST ENOUGH TO RESTRUCTURE BANK FROM EITHER SUBSTANTIVE OR PERSONNEL POLICY STANDPOINTS TO REFLECT GREATER INFLUENCE ARAB STATES SHOULD HAVE BECAUSE OF THEIR TREMENDOUS WEALTH. DAJANI INDICATED THAT ARAB STATES BECOMING DISSATISFIED WITH POLICIES OF BOTH BANK AND IMF, AND EXTENT OF THEIR FUTURE COOPERATION WITH THESE INTERNATIONAL FINANCIAL INSTITUTIONS WILL DEPEND TO LARGE EXTENT ON RAPIDITY WITH WHICH THEY ABLE MAKE THEIR INFLUENCE FELT AT POLICY MAKING LEVEL. GREATER INFLUENCE WOULD ALSO HAVE TO BE MANIFESTED BY SELECTION OF ARAB FINANCIAL EXPERTS TO SERVE IN TOP POLICY POSITIONS IN IBRD AND IMF.

5. COMMENT: DAJANI HAS NOT ENJOYED BEST REPUTATION OVER THE YEARS AS MOST RELIABLE SOURCE. THEREFORE, WE UNABLE ASSESS HOW MUCH OF WHAT HE SAID REFLECTS HIS OWN POSSIBLY PRE-SECRET

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JUDICED VIEWS AS FRUSTRATED UPPER CLASS PALESTINIAN, WHO HAS NOT BEEN PROMOTED TO THE TOP ECHELON OF IBRD OR RECEIVED UAE DIPL ASSIGNMENT, AS HE ONCE EXPECTED, AS OPPOSED TO THOSE OF FINANCIAL EXPERTS AND POLICY MAKERS IN ARAB WORLD, ESPECIALLY PEOPLE LIKE ATCRMQI AND ANWAR ALI. GRIFFIN

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NNN

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